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Libyan Sanctions Update #3

1 July 1986

This report contains information relevant to the US effort to impose sanctions on Libya. It covers the period from 30 May to 30 June and includes all West European countries plus Argentina, Brazil, Canada, Japan, India, and South Korea.

This report was prepared by the West European Division, Office of European Analysis, with contributions from other offices. Questions and comments are welcome and may be addressed to [Redacted] Chief, West European Division [Redacted]

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Summary

The countries covered in this report generally accept the fact that Libya is an important sponsor of terrorism but none is willing to impose formal sanctions similar to those applied by the US. Opposition to sanctions continues to rest on a belief that they are ineffective, reinforced by a number of fears: fear of lost business, fear of damaging relations with other Arab countries, fear of Libyan reprisal, and fear of setting a precedent that could increase the pressure to impose sanctions on South Africa. [redacted]

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Since the US air raid, however, we perceive a somewhat greater willingness on the part of foreign governments to reduce their economic ties with Libya in a less formal way. The desire to maintain good relations with the US and the hope of forestalling another military action are probably the motivating factors. Several governments have also cut the number of Libyan diplomats in their countries and tightened controls on Libyan nationals. Perhaps even more important, some foreign companies have become more reluctant to operate in Libya in the wake of the air raid and many West European citizens have left the country. [redacted]

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Among the major importers of Libyan oil there is a fair amount of sympathy for the US objective of reducing Tripoli's oil revenue. Again, there is no willingness to take formal action but several governments say they will quietly try to discourage imports of Libyan oil. We think this may have some impact but the results probably will not be known for some time because most countries lag several months in reporting oil import data. [redacted]

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[redacted]
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Argentina

Overview

Argentina's relations with Libya are cordial, but cool. Buenos Aires feels obligated to Libya because of the diplomatic support and equipment it provided during the Falklands War, but has made it clear that it does not wish to be seen as sympathetic to Qadhafi. There has been no change in this policy since US sanctions were announced. [REDACTED]

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Actions Supporting US Sanctions

[REDACTED]

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In late May, Libya sent a special envoy to Buenos Aires to deliver a message to President Alfonsin from Qadhafi. The Alfonsin administration downplayed the visit; only the Vice Foreign Minister--who does not deal with Libyan issues--met the envoy. In addition, Buenos Aires supplied the press with a terse statement after the meeting, instead of the usual press communique. [REDACTED]

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Austria

Overview

Austria's new chancellor and foreign minister have not commented to the media or to US officials on relations with Libya but we have no reason to expect major changes. Vienna insists that, as a neutral, it could only participate in sanctions applied by the UN, and remains unwilling to go beyond limited anti-terrorist measures. The Austrians still do not officially accept Libyan complicity in the Berlin disco bombing or the Vienna airport attack last December. Nevertheless, Austrian trade with Libya has been declining. [REDACTED]

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Actions Supporting US Sanctions

Austria's Foreign Ministry said on 20 June that the staff of Libya's embassy in Vienna probably would be reduced further, to eight; the number was 23 earlier this year. In addition, Vienna is insisting that Libya remove ten non-accredited personnel brought in recently. [REDACTED]

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[REDACTED]

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Belgium

Overview

Brussels is not likely to take economic action against Libya unless it is part of a joint EC effort. Since sanctions were imposed, however, Belgium has reduced its economic ties with Libya. Moreover, Foreign Minister Martens is eager to avoid a US-Europe debate that could split NATO.

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Brazil

Overview

Sensitive to US concerns and outraged over Libyan support for terrorism, President Sarney has taken a firm stand against providing arms or lending political support of any kind to Qadhafi. Nevertheless, Brazilian private firms continue to do business with Tripoli in construction and prospecting. Bilateral trade has been small, however, and we do not expect any significant increases to occur in the next several years.

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Canada

Overview

Ottawa has condemned Libyan support for terrorism and is one of the few governments to implement at least modest economic sanctions against Libya. Prime Minister Mulroney's rhetoric has been less forceful than Washington's, and he is almost certainly unwilling to enact further sanctions without similar action from key NATO allies. Ottawa has invoked no new sanctions since January and its calls for Canadian nationals in Libya to return have gone largely unheeded. The government has, however, been cooperative in attempting to prevent Canadian firms from filling in for departing US companies. In addition, polls show the country supports tougher sanctions against Libya and the opposition parties have signalled their desire for more action as well.

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Denmark

Overview

A recent poll showed 55 percent of Danes agree that Libya is a hotbed of terrorism; however, only 11 percent believe that an attack on Libya would weaken its support for terrorism. Even though the Danes are willing to apply a total trade embargo against South Africa, they will not reduce their limited economic ties with Libya beyond whatever the EC does.

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Finland**Overview**

Helsinki has not altered its position that it rejects the use of economic sanctions against terrorism, and would reconsider only if a wide international consensus developed or if the UN Security Council recommends them. [REDACTED]

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France**Overview**

France continues to take quiet actions to support US efforts to clamp down on Qadhafi. Although Paris still refuses to sign on to formal sanctions, it has demonstrated its willingness to reduce French economic relations with Libya to a bare minimum. The French are motivated primarily by their desire to clip Qadhafi's wings to prevent further Libyan adventurism in Chad. In addition, Paris wants to demonstrate to the United States its dependability as an ally. French officials have told US diplomats that we should mend fences and get beyond the flap over overflight permission. Paris is smarting from the loss of US tourist revenues as a result of the Libyan problem and the overflight dispute; according to the State Secretary for Tourism, the shortage of American tourists this summer will cost France about \$700 million. [REDACTED]

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Actions Supporting US Sanctions

During early June discussions with US officials, Foreign Minister Raimond claimed that he favors US-French cooperation against Qadhafi. He warned, however, that such cooperation must not be publicized since this would jeopardize French interests in Africa and the Middle East.

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The US Embassy in Paris reports it is guardedly optimistic that France will support US efforts to reduce Libyan oil revenues. When told in mid-June of US plans to certify US petroleum imports to insure that they have not been refined from Libyan crude, a senior Foreign Ministry official--after questioning the scheme's feasibility--encouraged the Embassy to explore the idea with working level French officials. He also promised to pass the details of the US certification plans along to other French government agencies for further consideration.

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The US Embassy also reports that in late May Libya offered the French oil company Elf Aquitaine a shipment of 250,000 tons of oil at below-market prices. Elf sought government guidance on the deal, and, after strong discouragement from both the foreign and industry ministries, declined the offer.

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Actions Undermining US Sanctions

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In
one instance, a Libyan Corvette airport picked up unspecified materials
at an airport outside Paris.

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Air France continues to service Libyan Arab Airlines Boeing 727
aircraft, according to diplomatic reporting. In addition, Air France is
scheduled to perform a major overhaul of the Libyan presidential Boeing
707 in France this July and August.

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Greece

Overview

In view of its stake in improving political and economic ties with the Arab world in general, Athens has been unwilling to condemn Libya publicly for involvement in terrorist acts. Papandreu has opted instead to increase discreet surveillance of Libyans in Greece to prevent terrorist acts from occurring on Greek soil and affecting vital tourist earnings and much-needed foreign investment. Papandreu still may hope to increase trade with Libya and receive investment funds from Tripoli. [REDACTED]

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Actions Supporting US Sanctions

Foreign Minister Papoulias told the US Ambassador, in response to a US demarche on reducing Libyan oil revenues, that Greece was unlikely to increase its imports of Libyan oil since his country already had a trade deficit with Libya. In addition, Greece was in the process of diversifying its oil imports. [REDACTED]

Prime Minister Papandreu "clarified" his government's position on terrorism in a letter to Secretary of State Shultz. Papandreu said that acts of violence by liberation movements outside of their own territories are condemned by the Greek government. Papandreu reportedly also stated that his government is following the activities of Libyans and will not hesitate to take actions against them which "serve the national security of Greece." [REDACTED]

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Actions Undermining US Sanctions

In a parliamentary debate on terrorism on 30 May, Papandreu equated US actions in Libya and Nicaragua with "state violence" and the Soviet invasion of Afghanistan. He also criticized the US for attempting to force its definition of terrorism and its legal code on others. [REDACTED]

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[redacted]

An unnamed Greek firm is involved in a road construction project in Libya, along with French firms. The Greek firm is building an 80 kilometer portion of the road, which runs from Sebha to El Sein and on through Ubari, Sardalas, and Ghet. [redacted]

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Three Libyans recently graduated from the Hellenic Naval Academy.

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Iceland

Overview

The government has not commented further on its policy to not participate in sanctions. [redacted]

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India

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Ireland

Overview

Ireland continues to pursue a lucrative beef export deal with Libya but does not want to accept oil in return. [REDACTED]

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Italy

Overview

The Libyan attack on Lampedusa in April has stiffened the Italian government's resolve to reduce economic ties with Libya; the decrease in the number of Italians living in Libya--now about 2,500--allows Rome more freedom to respond to any further Libyan threats. Rome, nevertheless, prefers to move slowly and remains reluctant to move ahead of its European allies on such measures as reducing oil imports. A major factor constraining Rome is still the \$800 million that Tripoli owes Italian firms. [REDACTED]

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Actions Supporting US Sanctions

[REDACTED]

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Since the mid-April decision by the EC to reduce Libya's official representation in Europe, Rome has expelled 18 Libyan diplomats and 47 Libyan citizens who were in the country illegally. [REDACTED]

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Actions Undermining US Sanctions

[REDACTED]

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Italian statistics indicate that Italy imported about 358,000 b/d of oil from Libya in the first four months of 1986--a 40 percent increase over the same period last year--apparently taking advantage of generous concessions offered by Tripoli. [REDACTED]

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[REDACTED]

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Japan

Overview

Tokyo continues to assure the United States that Japanese firms will not be allowed to replace US companies in Libya and that Japan's economic ties with Libya will remain limited. Recent Japanese political activity in the Middle East calls into question Tokyo's resolve to fulfill this pledge, however. After the economic summit declaration last May that singled Libya out as a supporter of terrorism, a Foreign Ministry delegation visited several Arab states in an attempt to mend fences and to distance Japan from the summit statement.

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Actions Supporting US Sanctions

A senior Japanese Foreign Ministry official earlier this month told his US counterparts that Tokyo will limit Japanese exports to Libya to the 1985 level of \$250 million, continue to forbid Japanese companies to fill in behind departing US firms, and not provide government credits or financing to Libya. The official also said Japan will not import Libyan oil.

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Luxembourg

Overview

Luxembourg's economic relations with Libya are very small and it is unlikely to take any action outside of the EC. [REDACTED]

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Netherlands

Overview

Dutch economic relations with Libya have been rather modest in recent years and have decreased even further since January. While it has stopped short of imposing mandatory economic sanctions, The Hague is restricting the issuance of export credits to Libya and is apparently working behind the scenes to influence Dutch firms to cut back on trade and to not fill in for departing US firms. The Dutch also used their recent presidency of the European Community to push for stronger anti-terrorist statements and coordinated diplomatic actions against Tripoli. [REDACTED]

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Actions Supporting US Sanctions

Foreign Trade Minister Bolkestein told US officials in June that his ministry had sent a letter to major trade associations advising companies not to fill in behind US firms leaving Libya. He said he does not as yet have any information that Dutch firms were doing so, but he would welcome any information Washington could supply on this matter. [REDACTED]

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The Dutch government has agreed to explore the US proposal for joint Western cooperation to reduce Libyan oil revenues. Officials have expressed doubts, however, about the feasibility of tracking oil imports through various refineries and into the final product stage. The Dutch also remain reluctant to restrict transshipments of Libyan oil through Rotterdam. [REDACTED]

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Norway

Overview

Norway has a long-standing ban on military sales to Libya, but the government doubts the effectiveness of economic sanctions. We do not know whether Oslo attempted to persuade Norwegian businesses and technicians not to replace Americans leaving Libya, as it has told US officials it would do. [REDACTED]

Portugal

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Overview

Lisbon recognizes that Tripoli plays an active role in international terrorism but has indicated to US officials that it would agree to economic sanctions only as part of a European-wide action. Portuguese officials have stated that Portugal is too small and vulnerable a country to take independent action and they fear retaliation against the approximately 1,000 Portuguese workers in Libya. [REDACTED]

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Actions Supporting US Sanctions

Foreign Minister Pires de Miranda told the Ambassador on 13 June that he would order Petrogal, the Portuguese state oil company, to halt purchases of Libyan oil products. He stated that it should not be publicized prematurely, so as to appear as part of an overall European reaction against Qadhafi. [REDACTED]

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Actions Undermining US Sanctions

No significant developments.

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South Korea

Overview

South Korea's close economic relations with Libya have made it difficult for Seoul to actively support US sanctions. South Korean construction firms are heavily involved in Libya [redacted]

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Seoul has done little to publicly support US sanctions and we do not expect Korean attitudes to change much in the near term. However, Tripoli's insistence on using oil rather than cash to pay its bills has prompted Seoul to caution South Korean firms against vying for additional Libyan contracts. In formulating future policy toward Libya, the government probably also will take into account Washington's views as well as the actions of other Western countries on the sanction issue. [redacted]

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Actions Supporting US Sanctions

According to the US Embassy, the South Korean construction firms singled out by Washington for trying to circumvent sanctions have agreed to cease looking for US-origin goods for their Libyan projects. Both Dong Ah and Hyundai told South Korean government officials that they were not able to obtain the US goods they had sought and that in the future they would buy European goods. [redacted]

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Spain

Overview

Madrid has sought to maintain correct relations with Tripoli even though it believes that Qadhafi is involved in international terrorism. Despite the recent deterioration in relations which has resulted in the expulsion from Spain of several Libyan officials and the retaliatory expulsion from Libya of Spanish workers, Madrid is not likely to break diplomatic relations. Instead it probably will attempt to repair its relations with Tripoli to protect its economic interests. Libya is a vital source of natural gas and Spain is Libya's third largest West European trading partner. Madrid supports economic sanctions, but only as part of a Community-wide effort, and probably will not act independently. [REDACTED]

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Actions Supporting US Sanctions

On 9 May Madrid arrested Colonel Carlos Meer de Ribera, who reportedly visited Qadhafi in Tripoli and received \$2.8 million for an ultra-nationalistic, anti-NATO, right-wing political party. The Libyan Consul General was also ordered to depart Spain for his role in the affair. [REDACTED]

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Sweden**Overview**

Stockholm has taken no new positions since saying it would continue to prohibit arms exports to the Near East and would not participate in economic sanctions unless they are approved by the UN.

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Switzerland**Overview**

Switzerland is opposed in principle to economic sanctions and will not participate in a boycott against Libya. Bern has stated, however, that it will discourage Swiss firms from filling in for US companies in Libya. Bern also intends to tighten controls on private and official Libyans in Switzerland.

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Turkey**Overview**

Ankara has tried to walk a tightrope between the US and Libya since the US imposition of sanctions against Tripoli. It is trying to follow through on its own firm commitment to fight terrorism and avoid angering Washington, but it also wants to avoid provoking the Libyans and being seen by the Islamic world as caving in to US pressure. Turkey's relations with Libya are largely economic, with Libya owing an estimated \$400-500 million in arrears to Turkish contractors. There is also a

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longstanding political and military relationship with Tripoli. Libya supported Ankara during the Turkish invasion of Cyprus in 1974 and Turkey has provided training to Libyan naval cadets and officers and has sold some military equipment to Libya. [redacted]

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Actions Supporting US Sanctions

On 6 June the State Security Court in Ankara found two Libyans arrested in the act of attempting to bomb a US military club in Ankara guilty of "possession of bombs" and sentenced them to five years in prison plus 20 months of forced residence in Turkey. The two were acquitted on conspiracy charges. [redacted]

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Two Turkish firms reportedly are pulling their personnel out of Libya and stopping all ongoing work there because of payments arrears by Libya and fear of another US attack. The US Embassy believes that the firms are pulling out as they complete their jobs. [redacted]

Actions Undermining US Sanctions

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The State Security Court in Ankara ruled that three members of the Libyan Peoples Bureau implicated in the attempted bombing of the Ankara officers' club could not be tried in Turkey because they had diplomatic immunity. Instead, the court ruled that they should be tried in Libya. [redacted]

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Actions Undermining US Sanctions

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As of 13 June 1986, Shell UK was scheduled to purchase Libyan Es Sider crude oil for approximately \$10 per barrel. [REDACTED]

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West Germany**Overview**

Bonn remains opposed to sanctions in principle but has been moving ahead in implementing measures agreed to at the Tokyo Summit and in the EC. The Libyan Peoples Bureau staff in Bonn has been reduced to 16, down from 41 earlier this year, and the Libyans say they plan to shrink it further. Trade with Libya, including oil purchases, has been declining. [REDACTED]

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Libya invited four European Parliament members who belong to West Germany's Social Democratic Party to Tripoli in mid-June. The delegation leader agreed with his Libyan hosts that Libya and the EC should promote a dialogue but, pointing to evidence of Libyan involvement in terrorism, emphasized that West Germany will not tolerate such acts. [REDACTED]

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Actions Supporting US Sanctions

Bonn told US officials on 20 June that it has no objection to the United States putting pressure on US oil companies with subsidiaries in West Germany to stop doing business with Libya, provided the United States does not reveal that it is acting in tacit agreement with West Germany. [REDACTED]

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[REDACTED]

[REDACTED]

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Unspecified West German firms recently have tried to cancel urea contracts with Libya due to uncertainties about regular access to the port of Marsa El Brega after the US bombing. [REDACTED]

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[REDACTED]

[REDACTED]

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